



Rep. Darren Soto 100 Day Progress Report on Puerto Rico's Hurricane Maria Recovery

INTRO

On December 27, 2017, Senator Bill Nelson (D-FL) and I traveled to Puerto Rico to assess recovery efforts. We inspected the following facilities: 1) Hospital Universitario Ramon Ruiz Arnau in Bayamon, Puerto Rico ("Bayamon Hospital"), 2) Town of Las Piedras, and 3) Medtronics Manufacturing Plant in Juncos. We also met with PR Governor Ricardo Rosselló regarding recovery efforts. This was the 98th day since Hurricane Maria made landfall in Puerto Rico.



RESTORATION OF ELECTRIC GRID

Approximately 33% of Puerto Rico remains without power, affecting nearly 1.5 million Americans. We visited Las Piedras, a suburb located on the outskirts of the San Juan Metropolitan Area near the east coast of Puerto Rico, where we met with Mayor Miguel Lopez Rivera and local residents. The town was still without power. The only electricity was from a local convenience store, which was powered by generator. Las Piedras demonstrates that power loss is not isolated to merely central rural areas, such as Utuado, Lares, and Adjuntas. In contrast, power outages persist even in suburbs near the island's capital of San Juan.

Several factors contributed to slow power restoration:

- 1. Insufficient Resources** – Insufficient resources were initially allocated by FEMA and now by the Army Corps of Engineers in terms of personnel, equipment and other resources to restore power. For example, the first major shipment of power utility poles (most of them made of wood) arrived a few days before our trip, and were less than one-third of the poles needed. Major repair crews did not arrive for over a month. We must continue to put pressure on the Trump Administration to speed up restoration efforts, and on Congress to allocate sufficient resources in the new disaster relief package.
- 2. Lack of Federal Technical Assistance** - Puerto Rico's relief requests were greatly slowed due to island-wide loss of power and cellular service, which paralyzed most government communications. Local governments had limited ability to communicate damage in a timely manner. The federal

government failed to sufficiently assist Puerto Rico in communication, relief options, and other technical assistance in light of these obstacles.

3. Whitefish Scandal – The original contractor, Whitefish Energy, was terminated causing further delays. Initially, Puerto Rican Power Authority (“PREPA”) entered into a no bid contract with Whitefish which came under intense public scrutiny due to its small size (2-person firm) and potential political connections (close relations to DOI Secretary Zinke and the Trump Administration). After termination, the Puerto Rican Government entered into a mutual assistance agreement with several states, which is the usual approach for large disasters. There are still subcontractors who remain unpaid due to this termination.

4. Declining Infrastructure – Puerto Rico’s electrical grid was already poorly maintained by PREPA prior to Hurricane Maria. PREPA, who is responsible for all power generation on the island, has been dogged by cronyism, corruption, and mismanaged funds. As a result, they have not sufficiently maintained or improved the grid over the past few decades.

RESTORATION OF HEALTHCARE FACILITIES

While the official death toll is 64, independent estimates show the actual number is closer to a thousand. Two major hospitals in Puerto Rico are still running on generators, but most hospitals still have substantial damage, which limits healthcare services on the island. During our Bayamon Hospital inspection, we observed that their top floor was unusable due to water intrusion and mold damage, which included 40 beds of their 100-bed facility. The roof was still covered by a large tarp as they await repairs. These difficulties are adding to Puerto Ricans health risks and rising death toll. Bayamon is located in the San Juan Metropolitan Area and its hospital serves over 500,000 residents.



Puerto Rico had over 12,000 doctors in 2012. Due to Medicaid cuts, economic recession, and Hurricane Maria, they currently have only 9,000 to serve a population of 3.3 Million Americans. This poses a huge health risk to the island. The federal government pays about 57% of Medicaid on average to states. However, as a territory, Puerto Rico gets the federal government to pay only 15% to 20% despite it being far poorer than any state. Puerto Rico’s median income is \$19,429. Thus, Medicaid Parity or additional Medicaid funding would put more resources back into the health system to fix hospitals, maintain doctors in Puerto Rico, and improve quality of healthcare.



EFFECT OF GOP TAX REFORM ON PUERTO RICO MANUFACTURING

The GOP Tax Plan treats Puerto Rico as a foreign jurisdiction and consequently adds a 13.1% tax on intellectual property imports to the mainland. This is a tax increase for medical, pharmaceutical and tech manufacturers, which comprise the majority of the manufacturing industry on the island. We toured the Medtronics medical device plant in Juncos, which employs 1,600 people (and 5,000 island wide) at over 5 times the local wage. They stated that this tax renders Puerto Rico operations far more expensive compared to competing foreign jurisdictions and could lead to a manufacturing exodus.

The manufacturing sector accounts for an astonishing 49% of GDP in Puerto Rico. It also makes up \$3.4 billion of Puerto Rico's \$9 billion state budget. This tax increase will stifle their recovery, lead to an exodus of high paying manufacturing jobs, and ultimately, limit their ability to meet the PROMESA economic plan. As a result, we must pursue legislation in 2018 to rollback this draconian tax increase that is hurting American jobs. In the alternative, we should pursue economic development opportunities, such as wage incentives, economic development zones, and child tax credit, to promote growth.



DISASTER RELIEF PACKAGE ISSUES

1. Cost-Sharing – On December 21, 2017, the House passed a disaster relief package, which requires Puerto Rico to share costs on a 10% local to 90% federal match. However, Puerto Rico barely has sufficient revenue to keep basic government agencies functioning, making cost-sharing impractical. The last disaster relief package also gave Puerto Rico a \$4.9 billion loan to keep services in operation given their poor financial situation. We must encourage our Senate partners to remove this provision during their deliberations.

2. PROMESA Board – On December 21, 2017, the House passed a disaster relief package, which also gives expanded oversight powers to the PROMESA fiscal board to oversee use of the recovery funds. First, the Puerto Rico government needs the ability to deploy these funds quickly for a timely recovery without multiple decisionmakers or administrative barriers. Second, these funds should only be used for recovery efforts. There is a concern that the PROMESA Board may utilize these funds directly or indirectly to pay creditors.